

INTRODUCTION

The budget document is the annual financial plan for City operations for the period covering one fiscal year, July 1 - June 30. This plan describes sources of revenues and how funds will be spent during the year.

The Annual Budget has four basic functions. First, it expresses the policy of the City Council. Through the budget, the City Council exercises its authority to increase services in some areas of City operations and decrease them in others. As a part of the budget review process, the City Council determines the tax rate for each fiscal year. Other fees, such as water and sewer rates, tipping fees, parking rates and cemeteries fees, may be reviewed and adjusted if necessary. At that time, the Council also makes whatever salary modifications are deemed to be appropriate.

Secondly, the budget process is a management and planning tool. The budget and subsequent accounting reports allow managers to isolate potential problems and ensure that City resources are used effectively and efficiently. The process of preparing the budget provides the opportunity for managers to evaluate their operations and to formulate goals and objectives for the upcoming year. The budget system also provides a means of monitoring progress toward those goals throughout the year.

Thirdly, the Annual Budget is a means of communicating to the citizens of Durham and others how public funds are spent. The budget is a tangible expression of the City Council's policy direction. To citizens, the budget is a symbol of the policy of the City Council and the actions of the City Administration.

Finally, the budget is the foundation for the proper accounting of City funds. It expresses in financial terms the goals and plans of the City Council. The types and amounts of authorized expenditures and the means for financing them are set forth in the budget. Once the budget is recorded in the accounting system, it serves as a control device to keep spending within authorized limits.

Organization of the Budget Document

The **Letter of Transmittal** is the first section of the budget document. The most important section of the budget document, the Letter is the City Manager's proposed plan for service for the coming fiscal year. Also included in the letter are some of the operational issues that the City Council has faced in the current fiscal year. The Manager also outlines the financial plan for the following fiscal year.

Another indication of the City's plan for service is expressed in the **City Priorities and Policies** section. This section contains, for each community goal, the performance indicators that measure the City's success in achieving the goal as well as strategies that departments will employ for the upcoming fiscal year.

The actions that a City takes in one year may affect its ability to fund other initiatives in future years. The **Multi-Year Fund Projections** section includes five-year projections for the General Fund and the enterprise funds.

The next two sections, **Budget Summaries** and **Fund Summaries**, show the actual amount spent in each of the funds in the prior fiscal year, the budget for the current year, an estimate of revenues received and expenditures made at June 30, and the budget as adopted by the City Council. The Budget Summaries look broadly at revenues and expenditures on a fund level. The sections are provided to give the reader an adopted overview of the budget. Even though the budget ordinance represents the official adopted ordinance, the total revenues and appropriations in terms of actual dollars is net of intrabudget transactions. This prevents counting the transfer amounts twice, once in the receiving fund and once in the sending fund. The Fund Summaries look more specifically at revenues and expenditures by appropriation categories and revenue categories.

The next four sections show budgetary, performance, and operational information by functional category: Governance, Public Protection, Community Services and Development, and Administrative and Support Services. Each department describes its mission statement, overall performance and context indicators, and overall service changes requested for

the proposed budget. A budget summary is provided on appropriation and program revenue information by departments for the previous year (actual), the current year (budget and estimated), and the new budget year (proposed/adopted).

The **Debt Management** section is provided to give the reader an overview of the City's debt service obligations, both for the following fiscal year and in the future. The section also provides information on the City's legal debt limit and the City's overlapping debt (County debt borne by City taxpayers).

The **Capital and Grant Project Information** section of the budget describes the capital projects that have been approved as part of the Capital Improvements Program. The CIP is the companion document to the budget and outlines the plan of capital improvements over a six-year cycle. In order to be included in the CIP, a project must require the expenditure of at least \$100,000 in any one of the six years. Projects associated with normal scheduled maintenance activities are not included in the CIP.

Supplemental Information provides information on the Budget Ordinance and the Financial Plan that the City Council adopts in June. Also, information on the City of Durham can be found in this section. A glossary is also provided in this section.